



February 23, 2007

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## SENATE BILL No. 501

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DIGEST OF SB 501 (Updated February 22, 2007 10:14 am - DI 73)

**Citations Affected:** IC 5-10; IC 5-10.3.

**Synopsis:** State retirement medical benefits account. Establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay participants' medical expenses after retirement. Designates the budget agency as the account administrator. Requires the state to make annual contributions to the account based on the age of the participant. Provides for a supplemental contribution to the account for a participant who retires with at least: (1) 15 years of service with the state, for an employee; or (2) ten years of service as an elected or appointed officer. Provides that: (1) employees who qualify and have applied for a normal unreduced or disability retirement benefit at separation from service; and (2) elected or appointed officers with at least ten years of service; are entitled to a benefit from the account. Allows the surviving spouse or dependent of a retired participant to receive a benefit. Provides that unused amounts credited to a retired participant are forfeited if the retired participant dies without a surviving spouse or dependent. Requires the budget committee to review the financial status of the account annually. Provides that, if allowed by the Internal Revenue Service, the

(Continued next page)

**Effective:** August 1, 2007.

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**Kenley, Mrvan, Long, Young R,  
Hume**

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January 18, 2007, read first time and referred to Committee on Appropriations.  
February 22, 2007, amended, reported favorably — Do Pass.

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SB 501—LS 7683/DI 102+



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retirement medical benefits account established by the public employees' retirement fund must: (1) require a state employee to convert certain unused vacation leave to a monetary contribution to the account at retirement; and (2) allow the state to contribute to the account on the employee's behalf an amount not to exceed two times the amount of the employee's contribution. Specifies that the budget agency may not establish the retirement medical benefit account or implement the health reimbursement arrangement unless the general assembly makes a specific appropriation to implement the health reimbursement arrangement

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February 23, 2007

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## SENATE BILL No. 501

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 5-10-8.5 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 AUGUST 1, 2007]:

4 **Chapter 8.5. Retirement Medical Benefits Account**

5 **Sec. 1. (a) This chapter applies to an individual who is one (1) of**  
6 **the following:**

7 (1) **An employee of the executive, legislative, or judicial**  
8 **branch of state government.**

9 (2) **A state elected or appointed officer.**

10 (3) **A member of the general assembly.**

11 (4) **An elected officer paid by the state.**

12 (5) **An officer paid by the state under IC 33-23-5-10,**  
13 **IC 33-38-5-7, or IC 33-39-6-2.**

14 (b) **An individual described in subsection (a) is a participant in**  
15 **the retirement medical benefits account.**

16 **Sec. 2. As used in this chapter, "account" refers to the**  
17 **retirement medical benefits account established by section 11 of**



SB 501—LS 7683/DI 102+

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1 this chapter.

2 Sec. 3. As used in this chapter, "budget agency" refers to the  
3 budget agency established under IC 4-12-1-3.

4 Sec. 4. As used in this chapter, "department" refers to the state  
5 personnel department established under IC 4-15-1.8-2.

6 Sec. 5. As used in this chapter, "employer" means the following:

7 (1) For an elected officer, appointed officer, or employee of  
8 the executive branch of state government, the state, including  
9 any board, commission, department, division, authority,  
10 institution, establishment, facility, or governmental unit under  
11 the supervision of the state, having a payroll in relation to  
12 persons it immediately employs.

13 (2) For a member of the general assembly or an employee of  
14 the legislative branch of state government:

15 (A) the president pro tempore of the senate, for a member  
16 or an employee of the senate;

17 (B) the speaker of the house, for a member or an employee  
18 of the house of representatives; or

19 (C) the personnel subcommittee of the legislative council,  
20 for an employee of the legislative services agency.

21 (3) For:

22 (A) a justice;

23 (B) a judge;

24 (C) a prosecuting attorney;

25 (D) an officer described under section 1(a)(5) of this  
26 chapter; or

27 (E) an employee of the judicial branch of state government,  
28 including an employee of any board, commission,  
29 department, division, authority, institution, establishment,  
30 facility, or governmental unit under the supervision of the  
31 judicial branch, having a payroll in relation to persons it  
32 immediately employs;

33 the Indiana supreme court.

34 Sec. 6. As used in this chapter, "fund" refers to the public  
35 employees' retirement fund established under IC 5-10.3-2-1.

36 Sec. 7. As used in this chapter, "Internal Revenue Code":

37 (1) means the Internal Revenue Code of 1954, as in effect  
38 September 1, 1974, if permitted with respect to governmental  
39 plans; or

40 (2) to the extent not inconsistent with subdivision (1), has the  
41 meaning set forth in IC 6-3-1-11.

42 Sec. 8. As used in this chapter, "participant" means an

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individual for whom a subaccount is established under section 14 of this chapter.

Sec. 9. (a) As used in this chapter, "retired participant" means:

(1) A participant who is eligible for and has applied to receive a normal, unreduced or disability retirement benefit (as determined by the Indiana public employee retirement fund of which the participant is a member) on the participant's last day of service.

(2) A participant who has completed at least ten (10) years of service as an elected or appointed officer on the participant's last day of service as an elected or appointed officer.

(b) For a participant described in subsection (a)(2) who has service with more than one (1) employer, the participant's years of service is the sum of all of the participant's years of service.

Sec. 10. As used in this chapter, "subaccount" means a participant's allocable share of the account.

Sec. 11. (a) The budget agency shall adopt provisions to establish a retirement medical benefits account as a health reimbursement arrangement or as a separate fund under another applicable section of the Internal Revenue Code for the purpose of funding by an employer on a pretax basis benefits for sickness, accident, hospitalization, and medical expenses for a participant and the spouse and dependents of a participant after the participant's retirement.

(b) The budget agency shall administer the account and may request the assistance of the department, the fund, and other state agencies. The account shall be maintained as a separate account to pay benefits for sickness, accident, hospitalization, and medical expenses for retired participants and their spouses and dependents.

(c) Notwithstanding any other provision of this chapter, the budget agency may not establish the account or implement the health reimbursement arrangement unless the general assembly makes a specific appropriation to implement the health reimbursement arrangement.

(d) The budget agency may adopt rules under IC 4-22-2 that it considers appropriate or necessary to administer the account.

Sec. 12. The budget agency may request from the Internal Revenue Service any rulings or determination letters that the budget agency considers necessary or appropriate in order to implement or administer the account.

Sec. 13. (a) The budget agency may designate the board of trustees of the fund to manage the assets in the account in the same

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manner and with the same limitations that apply to the management of the assets in the fund.

(b) The assets in the account may be commingled or pooled with other public funds for investment purposes.

(c) The account and subaccount records of individual participants and participants' information are confidential, except for the name and contributions made on behalf of the participant.

**Sec. 14. (a) The account consists of the following:**

(1) Contributions made by a participant's employer to the account under section 15 or 16 of this chapter.

(2) All earnings on investments or deposits of the account.

(3) All contributions or payments to the account made in a manner provided by the general assembly.

(b) The administrative costs of the account shall be paid from the earnings of the account before the earnings are credited to participants' subaccounts.

(c) The budget agency shall establish a subaccount for each participant. Each participant's subaccount shall be credited with:

(1) the contributions made to the account on behalf of the participant under this chapter; and

(2) after the costs described in subsection (b) are paid, the earnings attributable to the balance of the subaccount.

**Sec. 15. (a) A participant's employer shall make contributions annually to the account on behalf of the participant. The amount of the contribution each fiscal year must equal the following, based on the participant's age on the last day of the calendar year that is in the fiscal year in which the contribution is made:**

Participant's Age in Years	Annual Contribution Amount
Less than 30	\$500
At least 30, but less than 40	\$800
At least 40, but less than 50	\$1,100
At least 50	\$1,400

(b) The budget agency shall determine by rule the date on which the contributions are credited to participants' subaccounts.

**Sec. 16. (a) If a participant meets all of the following conditions, the participant is entitled to receive an additional contribution credited to the participant's subaccount and computed as described in subsection (b):**

(1) The participant is:

(A) on the participant's last day of service with participant's employer, eligible for and has applied to receive a normal, unreduced retirement benefit from the

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- 1 public employee retirement fund of which the participant  
 2 is a member; or  
 3 (B) on the participant's last day of service, an elected or  
 4 appointed officer.  
 5 (2) After June 30, 2007, and before July 1, 2017, the  
 6 participant terminates service:  
 7 (A) from the employer; or  
 8 (B) as an elected or appointed officer.  
 9 (3) By the participant's last day of service, the participant has  
 10 completed:  
 11 (A) fifteen (15) years of service with the employer; or  
 12 (B) ten (10) years of service as an elected or appointed  
 13 officer.  
 14 (b) The amount of the contribution to a participant's subaccount  
 15 under this section is the product of:  
 16 (1) the participant's years of service (rounded down to the  
 17 nearest whole year):  
 18 (A) with the participant's employer, determined on the  
 19 participant's last day of service with the participant's  
 20 employer; or  
 21 (B) as an elected or appointed officer, determined on the  
 22 participant's last day of service as an elected or appointed  
 23 officer; multiplied by  
 24 (2) one thousand dollars (\$1,000).  
 25 (c) For a participant who has service with more than one (1)  
 26 employer, the participant's years of service used in the  
 27 computation under subsection (b)(1) is the sum of all of the  
 28 participant's years of service.  
 29 (d) The participant's employer must credit the additional  
 30 contribution made under this section to the participant's  
 31 subaccount not later than sixty (60) days after the participant's last  
 32 day of service.  
 33 (e) A participant who meets the requirements to receive an  
 34 additional contribution under this section may receive the  
 35 additional contribution only once, regardless of the participant's  
 36 employment after the payment of the additional contribution.  
 37 (f) This section expires July 1, 2017.  
 38 Sec. 17. (a) A retired participant is entitled to receive a benefit  
 39 from the account.  
 40 (b) A participant who is not a retired participant is not entitled  
 41 to receive a benefit from the account when the participant  
 42 separates from service.

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1        **Sec. 18. (a) Except as provided in subsection (b), the balance in**  
 2        **a retired participant's subaccount may be used by the retired**  
 3        **participant and the spouse and dependents of the retired**  
 4        **participant to pay premiums for individual or group health**  
 5        **coverage provided by an insurance policy.**

6        **(b) If the budget agency requests and receives from the Internal**  
 7        **Revenue Service an appropriate ruling or determination letter, the**  
 8        **balance in a retired participant's subaccount also may be used to**  
 9        **pay:**

10        **(1) premiums for individual or group health coverage**  
 11        **provided by a means other than an insurance policy; and**

12        **(2) sickness, accident, hospitalization, and medical expenses of**  
 13        **the retired participant, and the spouse and dependents of the**  
 14        **retired participant.**

15        **Sec. 19. (a) The surviving spouse or dependent of a retired**  
 16        **participant may use amounts credited to the retired participant to**  
 17        **pay health insurance and other health care related expenses to the**  
 18        **same extent and in the same manner as the retired participant.**

19        **(b) If a retired participant dies without a surviving spouse or**  
 20        **dependents, unused amounts credited to the retired participant are**  
 21        **forfeited.**

22        **(c) Any forfeited amount may be used to reduce the**  
 23        **contributions required under this chapter.**

24        **Sec. 20. The budget committee shall annually review the**  
 25        **financial status of the account.**

26        **SECTION 2. IC 5-10.3-8-14, AS ADDED BY P.L.220-2005,**  
 27        **SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE**  
 28        **AUGUST 1, 2007]: Sec. 14. (a) This section applies to employees of**  
 29        **the state (as defined in IC 5-10.3-7-1(d)) who are members of the fund.**

30        **(b) The board shall adopt provisions to establish a retirement**  
 31        **medical benefits account within the fund under Section 401(h) or as a**  
 32        **separate fund under another applicable section of the Internal Revenue**  
 33        **Code for the purpose of converting unused excess accrued leave to a**  
 34        **monetary contribution for an employee of the state to fund on a pretax**  
 35        **basis benefits for sickness, accident, hospitalization, and medical**  
 36        **expenses for the employee and the spouse and dependents of the**  
 37        **employee after the employee's retirement. **The state may match all or****  
 38        **a portion of an employee's contributions to the retirement medical**  
 39        **benefits account established under this section.**

40        **(c) The board is the trustee of the account described in subsection**  
 41        **(b). The account must be qualified, as determined by the Internal**  
 42        **Revenue Service, as a separate account within the fund whose benefits**

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are subordinate to the retirement benefits provided by the fund.

(d) The board may adopt rules under IC 5-10.3-3-8 that it considers appropriate or necessary to implement this section after consulting with the state personnel department. The rules adopted by the board under this section must:

(1) be consistent with the federal and state law that applies to:

(A) the account described in subsection (b); and

(B) the fund; and

(2) include provisions concerning:

(A) the type and amount of leave that may be converted to a monetary contribution;

(B) the conversion formula for valuing any leave that is converted;

(C) the manner of employee selection of leave conversion; and

(D) the vesting schedule for any leave that is converted.

(e) The board may adopt the following:

(1) Account provisions governing:

(A) the investment of amounts in the account; and

(B) the accounting for converted leave.

(2) Any other provisions that are necessary or appropriate for operation of the account.

(f) The account described in subsection (b) may be implemented only if the board has received from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate.

(g) To the extent allowed by:

(1) the Internal Revenue Code; and

(2) rules adopted by:

(A) the board under this section; and

(B) the state personnel department under IC 5-10-1.1-7.5;

employees of the state may convert unused excess accrued leave to a monetary contribution under this section and under IC 5-10-1.1-7.5.

**(h) To the extent allowed by the Internal Revenue Code, the account described in subsection (b) must include provisions that:**

**(1) require an employee of the state to convert to a monetary contribution to the account at retirement the balance, but not more than thirty (30) days, of unused vacation leave for which the state would otherwise pay an employee in good standing at separation from service (as determined by state personnel department rule); and**

**(2) allow the state to contribute to the account on the employee's behalf an amount not to exceed two (2) times the**

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1            **amount of the employee's contribution under subdivision (1).**  
2        **SECTION 3. An emergency is declared for this act.**

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## SENATE MOTION

Madam President: I move that Senator Mrvan be added as second author, Senator Long be added as third author, and Senators Young R and Hume be added as coauthors of Senate Bill 501.

KENLEY

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 COMMITTEE REPORT

Madam President: The Senate Committee on Appropriations, to which was referred Senate Bill No. 501, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Replace the effective dates in SECTIONS 1 through 2 with "[EFFECTIVE AUGUST 1, 2007]".

Page 3, between lines 29 and 30, begin a new paragraph and insert:

**"(c) Notwithstanding any other provision of this chapter, the budget agency may not establish the account or implement the health reimbursement arrangement unless the general assembly makes a specific appropriation to implement the health reimbursement arrangement."**

Page 3, line 30, delete "(c)" and insert "(d)".

Page 4, line 25, delete "\$1,000" and insert "\$800".

Page 4, line 26, delete "\$1,500" and insert "\$1,100".

Page 4, line 27, delete "\$2,000" and insert "\$1,400".

Page 5, line 19, delete "five hundred".

Page 5, line 19, delete "\$1,500" and insert "\$1,000".

and when so amended that said bill do pass.

(Reference is to SB 501 as introduced.)

MEEKS, Chairperson

Committee Vote: Yeas 11, Nays 0.

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